

Message Text

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ACTION ARA-14

INFO OCT-01 IO-13 ISO-00 SP-02 AID-05 EB-08 TRSE-00
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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC IMMEDIATE 9236

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY GEORGETOWN

AMEMBASSY NASSAU

AMEMBASSY PORT OF SPAIN

USMISSION USUN NEW YORK

C O N F I D E N T I A L KINGSTON 0337

E.O. 11652: XGDS-4

TAGS: PINT, EFIN, EAID, JM, IMF

SUBJECT: POLITICAL COMMENT ON JAMAICA'S FURTHER DEVALUATION

A. KINGSTON 326, B. KINGSTON 327

1. BEGIN GDS. FINANCE MINISTER DAVID COORE'S ANNOUNCEMENT OF FURTHER DEVALUATION OF THE JAMAICAN DOLLAR (REF A) AND PRIME MINISTER MICHAEL MANLEY'S SUBSEQUENT STATEMENT (REF B) ON THAT ACTION, ARE TELLING COMMENTARIES ON THE APPARENT CONCERN WITH WHICH GOJ AND THE RULING PEOPLE'S NATIONAL PARTY (PNP) VIEW THIS POLITICALLY SENSITIVE MATTER--PARTICULARLY AS THE PNP APPROACHES ITS RESUMED ANNUAL CONFERENCE NOW SCHEDULED FOR MARCH 4-5. THE TONE OF THE STATEMENTS WAS RESTRAINED AND STATESMANLIKE. BOTH WERE CLEARLY INTENDED TO REMIND LISTENERS OF THE GRAVITY OF JAMAICA'S FINANCIAL PROBLEMS AND ALSO TO SUGGEST THAT EFFORTS AT THE SOLUTION ARE IN THE HANDS OF SOBER MEN. HOWEVER, THE
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PRIME MINISTER'S STATEMENT (AS DISTINCT FROM THE FINANCE MINISTER'S, WHICH WAS ENTIRELY TECHNICAL) SUGGESTS THAT EVERY EFFORT WILL BE TAKEN TO REDUCE TO THE DEGREE POSSIBLE ANY ADVERSE REACTION TO WHAT THE GOVERNMENT'S CRITICS WILL DUB, DEPENDING ON THEIR PARTICULAR POINT OF VIEW, (A) AN ADMISSION OF FAILURE OF (B) FRESH EVIDENCE OF THE EXTENT OF IMF INFLUENCE OVER THE POLICIES

OF THE GOJ. THE PRIME MINISTER'S ADDRESS IN PARTICULAR REVEALED HIS CONCERN AS TO THE USE TO WHICH THE LEFT-- BOTH WITHIN AND WITHOUT THE PNP --MAY ATTEMPT TO PUT THE FURTHER DEVALUATION. THUS, A VERY CONSIDERABLE PORTION OF THE ADDRESS WAS GIVEN OVER TO DEMONSTRATING: (A) THE SUCCESSFUL REISITANCE OF THE GOJ IN THE PAST TO THE MORE RIGOROUS DEMANDS OF THE IMF AND (B) THE GOJ'S DETERMINATION TO EASE THE IMPACT OF THE NEW STEP ON THE POOR.

2. THE TIMING OF THE ANNOUNCEMENT OF THE DECISION TO DEVALUE FURTHER, IF NOT THE DECISION ITSELF, CAME WITH APPROPRIATE SURPRISE. THE DECISION TO ACT AT THIS TIME PROBABLY HAD TWO RELATED DOMESTIC PURPOSES (ASIDE FROM THE NEED TO SATISFY IMF PRE-NEGOTIATION REQUIREMENTS). THE FIRST WOULD BE TO BUY TIME FOR ASSESSMENT OF PUBLIC AND PARTY REACTIONS BEFORE THE PNP'S RESUMED ANNUAL CONFERENCE. CONCEIVABLY THERE IS ALSO HOPE THAT THE INITIAL SHOCK OF THE ANNOUNCEMENT WILL DISSIPATE SOMEWHAT BEFORE THE PNP MEETS.

3. A SECOND REASON COULD LIE IN A DESIRE TO FORESTALL BOTH THE SPECULATION AND LEAKS WHICH WOULD HAVE OCCURRED IN COMING WEEKS, AND WHICH WOULD COMPOUND THE POLITICAL PROBLEMS ATTENDANT TO THE PNP'S RESUMED CONFERENCE.

4. INsofar AS WE CAN TELL, THE DECISION APPEARS TO HAVE INVOLVED A VERY SMALL GROUP. END GDS; BEGIN XGDS-4: FOREIGN AFFAIRS PERMANENT SECRETARY FRANK FRANCIS
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CIMPLAINED TO AID DIRECTOR IN THE MORNING OF JANUARY 13 THAT HIS MINISTRY HAD LITTLE IDEA OF WHAT PROGRESS MIGHT HAVE BEEN MADE IN DEALING WITH THE IMF; HE CLEARLY WAS SOMEWHAT ANNOYED AT HIS MINISTRY'S EXCULSION FROM THE PROCESS. END XGDS-4; BEGIN GDS: IT APPEARS THAT THE PRIME MINISTER, THE FINANCE MINISTER AND THE FEW OTHERS INVOLVED IN THE DECISION MAY HAVE WISHED TO LIMIT THE NUMBER INVOLVED IN THE DECISION-MAKING PROCESS NOT ONLY TO SAFEGUARD AGAINST LEAKS BUT ALSO TO CUT DOWN ON DEBATE WITHIN THE GOVERNMENT PRIOR TO THE ANNOUNCEMENT. THE CABINET MET ON THE MORNING OF JANUARY 13 IN AN EXTRAORDINARY SESSION. MANY OF ITS MEMBERS MAY HAVE LEARNED OF THE DECISION ONLY THEN--AND BEEN ASKED FOR THEIR IMMEDIATE APPROVAL.

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